

**Rural Development**  
**Statement of Jonathan Adelstein, Administrator, Rural Utilities Service**  
**United States Department of Agriculture**  
**Before the House Committee on Agriculture,**  
**Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture**

Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, thank you for the opportunity to provide to you a review and accomplishments of the Rural Development's (RD) Rural Utilities Service (RUS) authorized through the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).

**Overview**

The Department of Agriculture's RUS is the only Federal agency that funds electric, telecommunications, and water and wastewater infrastructure for rural areas. Because of RUS investments, many rural communities nationwide have reliable, affordable electric power, safe water and wastewater facilities, essential telecommunications, and broadband capability.

RUS investments provide more than basic infrastructure services. RUS is one of three RD agencies with a mission to facilitate rural economic development, foster sustainable job creation, and revitalize rural areas.

RUS achieves its goals by funding projects to help rebuild America's infrastructure which is essential to stronger American economic growth. Beginning with the creation of the Rural Electrification Administration in 1935, RUS has and continues to be a prominent lender for rural utility investment.

Today's RUS portfolio includes federal financing for electric, telecommunications, broadband, and water and wastewater projects. These investments enhance community resources, including health care and education, and increase the need for skilled labor to meet the needs of growing and emerging industries in rural areas. We use the term "investment" because the capital provided for loans is repaid and delivers additional returns in the form of jobs and the types of services with the capability of delivering more jobs in our Nation's rural communities.

The RUS portfolio is over \$56 billion and the current delinquency rate is 0.21 percent. We are very proud of our customers' repayment history.

**Broadband and Telecommunications programs**

The broadband program, created under the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) and revised by the 2008 Farm Bill, has provided more than \$1 billion in

financing to improve telecommunications by delivering broadband services to rural areas for nearly a decade.

Broadband availability allows business owners to increase distribution channels and enables a new generation of entrepreneurs to thrive in rural areas. Broadband helps America's farmers and ranchers monitor prices, obtain weather forecasts, and find new markets for their produce and livestock.

New regulations published in March 2011 streamlined the application process and allowed the program to focus investment to reach rural areas with three or fewer broadband service providers. These new regulations, along with additional steps RUS has taken, fully address USDA's Office of Inspector General findings previously raised about the program. The Telecommunications Infrastructure Loan Program is authorized under the Rural Electrification Act of 1936, as amended (REA), and is the only Federal program that has funded telecommunications services for over 60 years. This program funds improvements to existing and new broadband infrastructure for rural telecommunications service providers or REA Title II borrowers.

RUS Telecommunications Programs also administers the Community Connect Grant Program, which provides funding to establish broadband service in rural communities that currently do not have service. Awards of \$13.4 million in available funding are expected to be announced by the end of FY 2011.

RUS' Distance Learning and Telemedicine Program fund equipment to enhance educational and health care services in rural areas. RUS has \$24.9 million available and expects to announce awards by the end of FY2011.

## **Electric Programs**

America's rural communities are on the forefront of the renewable energy movement. By increasing the supply of home-grown renewable energy, we can meet the growing demands for renewable sources of both fuel and power.

The RUS Electric Program portfolio has over 650 borrowers with an outstanding balance of over \$41 billion. The Rural Electrification Direct and Guaranteed Loan and High Energy Cost Grant Programs are authorized under the Rural Electrification Act of 1936; however, the 2008 Farm Bill provided new program authority, including authorization for energy efficiency programs, renewable energy, and direct lending authority for loans.

RUS loan funds may be used to finance generating, transmission, and distribution facilities. RUS also finances environmental upgrades, energy efficiency, smart grid, demand management and energy conservation programs. In FY 2010, RUS approved over \$313.3 million in loan guarantees for new projects for renewable electric generation.

RUS has a goal to finance \$250 million for grid modernization during FY2012. Smart grid technologies give consumers greater control over their electric costs and help utilities better manage the electric grid to improve operational efficiencies. These investments help rural

utilities improve their delivery and storage of renewable energy to generate electricity and help ensure sustainable economic growth in rural communities. For example, in North Carolina and Tennessee, French Broad Electric Membership Corporation received a loan guarantee of \$20 million, of which more than \$2.4 million is to be used for advanced meter infrastructure upgrades that can help utility providers better control the use and production of electric energy.

The demand for electricity in rural areas is growing at 2 percent annually, according to the Energy Information Administration in the Department of Energy. During FY 2010, RUS funded \$7.1 billion for electric system improvements for over 9 million rural residents. The electric program serves 667 active rural borrowers and grantees in 46 States, Puerto Rico, American Samoa, and the Republic of the Marshall Islands. No other agency funds rural electric infrastructure projects.

Meeting the growth in demand for electric power generation is capital intensive and takes significant time from concept to completion. RUS will continue to work to ensure that our projects are good for the environment, good for the economy, and good for electric consumers.

### **Water and Wastewater Funding**

Since 2009, over \$6.7 billion invested by the Obama Administration in 4,565 water and waste water community infrastructure loans and grants has helped safeguard the health of nearly 9 million rural residents through access to a safe water supply and sanitary sewer system. The loans and grants are also expected to create or save 143,507 jobs in the communities where projects are underway. Almost 4.8 million customers are being helped through new or improved systems that will deliver safe, clean drinking water, or will clean up existing waste removal environmental hazards

These funds will build upon the \$11.5 billion portfolio of investments that help rural communities replace aging infrastructure, make necessary repairs and extend service to areas without access to public water and waste service.

Facilitating reliable and affordable access to water is necessary for business development which in turn creates jobs and builds the economy. Lack of adequate water and wastewater facilities kept Turrell, Arkansas, from competing for a large retail distribution facility that would have brought jobs to the rural community. RUS is now working with Turrell to build a water and waste plant. Lack of jobs has caused their population to drop from 1,000 in 2,000 to 615 today.

Reliable access to water is essential for rural communities to prosper. RUS water programs—the only program exclusively focused on rural needs—which safeguard the health of rural residents and the environment and ensure that rural water systems meet growing demands. Projects funded during FY 2010 will result in a nearly 28 percent reduction in rural residents' exposure to water-borne illness. RUS-funded circuit riders responded to over 111,000 requests to assist rural water systems during FY2010.

## **Conclusion**

The RUS loan portfolio remains very strong. We constantly strive to improve program delivery, working with local leaders to deliver funds to address critical infrastructure needs which are fundamental to the quality of life and economic future of rural America. In closing, I would like to thank the committee for the opportunity to appear before you today and look forward to responding to your questions.